

GOVERNOR'S CONSUMER ENERGY PROTECTION TASK FORCE

Minutes of the Meeting August 27, 2003 Room, 172, State Capitol Building Helena, Montana

ROLL CALL: The August 27, 2003, meeting of the Governor's Consumer Energy Protection Task Force was called to order by Chairman John Hines at 9:00 a.m., in Room 172, State Capitol Building, Helena, Montana. Members present were John Hines, Chairman, Commissioner Rob Rowe, Haley Beaudry, David Wheeliham, Chuck Swysgood, Tom Power, Bill Drummond, Mike Uda, John Alke, and Representative Alan Olson. John Bushnell also attended the meeting.

Chairman Hines asked Task Force members to introduce themselves and give a synopsis of their experience in the energy arena. Chairman Hines reviewed the Governor's charges and noted that people should have a positive view of the Task Force. Chairman Hines stated the Task Force's charge is to develop proposals to mitigate bill increases, focusing on low-income consumers. In addition, the Task Force will consider Northwestern Energy's (NWE) financial concerns and evaluate the rules and statutes to determine their efficiency in the context of consumer protection and determine if there are any changes that could or should be done in the event NWE's financial condition worsens. The last objective the Governor charged to the Task Force is to examine how default supply customers can receive the most affordable, reliable, and stable prices over the long term. Chairman Hines interpreted this to mean all ranges, including not only the infrastructure related to default supply, but also the governing rules should it be necessary to consider further constraining choice to allow a better default supply portfolio, or opening it up, or even changing the type of default supply structure available. Chairman Hines informed the Task Force that Governor Martz made it clear she would like the Task Force to come up with recommendations on these issues in an expedited manner.

Chairman Hines asked Task Force members for their suggestions on the process the Task Force should utilize in determining its recommendations. The process could range from using a legislative format to a broad-based consensus from Task Force members.

Rep. Alan Olson was not comfortable using a straight up or down vote and did not feel that would solve any problems. On the other hand, he felt waiting until there was broad-based consensus could take too much time. Rep. Olson would like to see a conglomeration of an up or down vote with a majority report and a minority report.

Mr. Mike Uda suggested given the limited amount of time, it would be appropriate to assign subcommittees to make recommendations. Mr. Uda suggested the Task Force hit the ground running and felt the Task Force should assign subcommittees to work on the issues independently and make recommendations to the entire Task Force.

Mr. Tom Power agreed with Rep. Olson that it would take too long to try and reach a broad-based consensus.

Chairman Hines reminded the Task Force that it has no force of law and the Task Force will need to reach as great a consensus as possible, but may not be able to in all instances, especially in light of the time constraint.

Mr. John Alke noted that there are Task Force members who are participating as a public service but may have clients who could be adversely affected by recommendations made by the Task Force.

Chairman Hines agreed there could be potential conflicts of interest between Task Force members' 8-5 jobs and their citizen participation on the Task Force.

Commissioner Bob Rowe replied that he assumes the end product will be a series of recommendations to the Governor, Legislature, Congress, or the Public Service Commission (PSC). Commissioner Rowe will dispose his participation if necessary.

Chairman Hines desired not to include authorship in majority and minority reports. The Task Force members agreed.

Low-Income Needs and Proposed Funding for the 2003-04 Heating Season

Chairman Hines received an overview of the situation for low-income consumers in Montana detailing the number of low-income households state-wide at various levels of poverty. For the lowest number of household incomes, Chairman Hines recalled that 37 percent of their income is allocated to meeting energy needs. This figure represents a severe impact on low-income families.

- **Mr. John Bushnell, Northwest Power Consumer Council**

Mr. Bushnell gave a presentation showing potential bill impacts. Mr. Bushnell gave a history of what has happened from January 2001 until July 2003 for a standard block of gas, which indicated quite a fluctuation over that period. NWE fluctuated less because at that time they did not have monthly trackers. Mr. Bushnell explained this is not a NWE problem, but rather a general problem across all gas utilities. Mr. Bushnell presented a bill for a four-year period and then presented a projected bill. Mr. Bushnell stated NWE will be filing monthly trackers, so he anticipates the projected bill will change and stated his projection represents a worse-case scenario. Mr. Bushnell clarified the projection is based on the September tracker filing and has not yet been approved by the Commission. The comparison showed the worse-case difference at

almost \$60 a month. Therefore, over the heating season with normal winter weather in November through March, the total increase is projected at \$233.

Mr. Alke asked if NWE still had seasonally differentiated rate design for electric rates. Mr. Bushnell responded that electric rates do not increase in the winter like gas. The difference in bills for electric rates is less than \$10 a month. Mr. Bushnell stated in creating this profile, NWE presented him with a residential electric use study that broke users into five profiles. The electric heat load is represented in the fourth and fifth profile. Mr. Bushnell used the fifth profile because it represented the average maximum-use customers and based his profile on that data. Therefore, Mr. Bushnell views the problem as mostly fuel-based not electric-based. This year's prices for the liquid propane gas will also be about thirty percent higher.

Mr. Bushnell reviewed a USB low-income allocation table. On the electric side, NWE is spending approximately \$3.1 million on USB which is about 25 percent of the total electric USB. For natural gas, NWE is spending more than it collects. Montana Dakota Utilities (MDU) electric is spending about 72 percent on low-income programs and for natural gas they are pouring 100 percent into low-income programs, while Co-ops expended 26 percent. The minimum requirement for low-income needs is 17 percent. Mr. Bushnell added that large industrials self-direct their spending, and some companies, such as Columbia Falls Aluminum Company (CFAC), contribute significantly to low-income consumers.

Chairman Hines asked if there is a statutory prohibition to co-mingle electric and gas funds. Mr. Bushnell responded the program is fuel blind.

Mr. Tom Power wondered how the projection for the coming winter compares to the winter of 2001 or another past year when gas prices increased markedly. Mr. Bushnell responded that, hopefully, his projections are overstating the problem. Mr. Bushnell explained that because of a gas settlement in the past, Montana escaped the impacts of the last substantial increase. MDU did not escape that increase, and Mr. Bushnell opined that possibly is a reason MDU gives more money to its low-income fund.

Commissioner Rowe agreed MDU saw the full brunt of that past increase. For the most part, NWE customers were unaware of what was happening in the wholesale gas market during that run up. Commissioner Rowe stated there is a great deal of information available from the MDU customer experience.

Mr. Dave Wheeliman asked about the 2.4 percent requirement on the electric side for USB and asked what the requirement is on the gas side. Mr. Bushnell responded the requirement is .42 percent.

Mr. Alke did not remember MDU being on an percentile basis for gas USB. MDU was set up outside of the statutory framework for gas utility restructuring. He believed MDU was restructured at the federal level, and he believed the USB is a per-head fee.

Mr. Uda asked if low-income customers are more likely to use electricity for heat. Mr. Bushnell did not have that information, but he believed that 75 percent of Low-Income Energy Assistance Program (LIEAP) recipients have natural gas.

- **Mr. Greg Groepper, Energy Share**

Mr. Greg Groepper, Director of Energy Share of Montana, explained that they help citizens with energy emergencies and, generally speaking, they do this once in a person's life. Energy Share provides assistance to between 2,000 and 2,400 families a year. The difference between Energy Share and LIEAP is that LIEAP is a federal program and benefits are available every year if your last 12 months' of income is below the poverty level. However, some people are poor and do not fit the LIEAP definition. Energy Share attempts to fill that gap since it can annualize income. Mr. Groepper submitted information to the Task Force which depicts the number of people in poverty in Montana in 1996 at 78,000. Mr. Groepper believed Montana is probably as bad off now as it was then in terms of poverty (Exhibit 1). Mr. Groepper believed one possible solution would be to ask Congress for more money for LIEAP by suggesting the census has underestimated the number of poor in Montana.

(Tape 1; Side B)

Mr. Groepper spoke about Energy Share's past experience with MDU and submitted charts depicting families served by MDU who received assistance from Energy Share in 1999 (Exhibit 2). The numbers grew dramatically in 2001 because of the rate increase. MDU did put more money into Energy Share to get through this crisis. At that time, applicants had to be 125 percent of poverty to qualify for assistance. Of the 227 people Energy Share served, 112 were also served by LIEAP and still could not pay their energy bills. Mr. Groepper reiterated that Energy Share can annualize incomes to determine eligibility where LIEAP cannot. Therefore, there are a number of people who do not qualify for LIEAP but still need assistance.

Chairman Hines inquired whether there was a correlation between the natural gas prices and the increased number of participants in 1999, 2000, and 2001. Mr. Groepper stated they did not do any studies, but just knew there was a lot more demand for Energy Share benefits. Mr. Groepper did not want the Task Force to look at Energy Share as the total solution because he believed Energy Share is just a small part of the solution. Chairman Hines explained he was simply trying to see if they would see a similar jump in participation for NWE consumers this winter. Mr. Groepper believed that would be the case and suggested last year during July the bill

for Energy Share's toll free line was \$2. In July 2003, the toll free line cost was \$52 because of the increased volume of calls. Energy Share is receiving 25-30 calls per day from NWE customers who need help.

Mr. Alke noted that calls received from NWE consumers in July are to address bills from the prior winter heating season. Mr. Groepper stated the calls are from people who have \$120 bills and are getting their power shut off. He does not feel the calls are from people who have let their power bills accumulate all winter.

Commissioner Rowe asked if there were any program changes or administrative changes within Energy Share which would have triggered the increased numbers. Mr. Groepper responded there were no policy changes within Energy Share, and they simply had more money so were able to help more people.

Chairman Hines asked for clarification as to whether the number increased because they had more money and were able to help more people, or if it was because there was a corresponding increase in requests for assistance. Mr. Groepper responded there was a higher number of requests for assistance.

Chairman Hines asked if data was available from 1999, 2000, and 2001 showing customer requests for help. Mr. Groepper stated Energy Share keeps track of the number of applicants who are denied, and in the earlier years, they denied 400-500 families. Currently, Energy Share has more resources, so denials have dropped to approximately 200 on an annual basis.

Mr. Groepper distributed a handout summarizing NWE's experience with Energy Share (Exhibit 3). The numbers rise considerably from 1999 until 2002. In 1999 Energy Share helped 451 gas customers and 143 electric customers. In 2002 the numbers rose to 983 gas customers and 309 electric customers. The chart also depicted the amount contributed to Energy Share by NWE and the return in customer bills paid by Energy Share. Approximately three-fourths of the customers are NWE gas customers and all the money they get from NWE is electric USB, and they do not receive any gas USB.

Mr. Power asked if Energy Share's customers are primarily gas customers, whether that means that they are only gas heat customers, or they only get gas service and not electricity service from NWE. Mr. Groepper explained they only track people by their primary heat source.

Mr. Drummond asked for clarification of "return," and Mr. Groepper explained those are the dollars Energy Share spent paying into NWE on behalf of their customers. Energy Share does not pay customers directly, but pays to their accounts on their behalf. The difference between the amount donated by NWE and the amount paid out is made up by private funds Energy Share

raises. There are two kinds of donations made by NWE: unrestricted corporate donation, which means the money can be spread across all users of energy, and then a portion of their donations which are restricted to NWE customers. When USB was implemented, corporate donations came out of the USB fund structure, and restricted donations were made strictly for NWE customers. Corporate donations have helped Energy Share meet their overhead and provide assistance for propane customers. All donations are now USB funds.

Mr. Alke asked whether Energy Share had invested some portion of their funds in an endowment program. Mr. Groepper responded that was correct. At the end of July, the Energy Share endowment was at \$744,000. This endowment was created in 1997 because of money received from the Legislature through stripper well funding. The endowment was created in anticipation of that source evaporating.

In closing, Mr. Groepper stated that the CFAC plant has been a great supporter of Energy Share and since the inception of USB, they have made donations of \$85,000 a year to help low-income families in their area. Mr. Groepper added that other large electric customers such as Montana Tunnels, Stone Container, and Conoco have also made donations. Mr. Groepper wanted the Task Force to understand how difficult life is at the poverty level. When 37 percent of your income goes to your energy bill, it is devastating. Since welfare benefits have been cut, the energy cost increase has compounded problems. Mr. Groepper believed there will be a serious increase in the number of people who will need help this winter.

Mr. Uda asked whether the tax figures on Exhibit 1 were from Energy Share or the Department of Revenue. Mr. Groepper replied the figures were from the Department of Revenue. Mr. Groepper felt Montana could get more money out of Congress if it could show the census figures understate the number of poor Montanans as evidenced by figures from the Department of Revenue.

Mr. Uda asked Mr. Groepper whether the people they serve the most are senior citizens or exactly what the makeup is of the people served by Energy Share. Mr. Groepper stated the number of people served by Energy Share parallels the number of seniors in the population. Mr. Groepper acknowledged seniors citizens generally do not like to take handouts. Energy Share is promoted to various senior citizen organizations, and currently senior citizens make up 16 percent of Energy Share recipients, while senior citizens make up about 18 percent of the general population.

Chairman Hines asked Mr. Groepper to obtain figures on the number of people served by MDU who requested help from Energy Share in 1999, 2000, 2001, and 2002.

- **Jim Nolan, Montana Department of Public Health and Human Services**

Mr. Nolan opened by thanking the Task Force for addressing this long-developing problem. Mr. Nolan submitted a Program Summary of the services provided by the Montana Department of Public Health and Human Services (DPHHS) (Exhibit 4). The first program they run is LIEAP, which assists low-income families by paying a portion of the heating costs. Mr. Nolan asked the Task Force to remember LIEAP is intended to cover a portion of their energy bill because it is not intended to cover lights and hot water. The purpose is simply to help pay for heat. Income eligibility is limited to 150 percent of poverty. Last year's recipients' benefits averaged approximately \$423 per household. This year's guesstimate is approximately \$371 per household providing the federal appropriation to the program remains the same. A significant portion of the households served were occupied by senior citizens and two-thirds of those households are headed by females. The Human Resource Development Councils (HRDC) throughout the state were utilized in delivering LIEAP services. HRDC has indicated LIEAP is their best outreach tool in getting people who need assistance into their system to provided access to other services such as Food Bank and Headstart. Approximately 65 percent of the households served by LIEAP are heated by natural gas and the majority are well below 100 percent of poverty. LIEAP recipients are served without distinction in terms of the type of home they live in.

Commissioner Rowe asked Mr. Nolan to compare a mobile home to a single family dwelling in determining the amount of benefit. Mr. Nolan responded mobile homes receive a greater benefit.

Mr. Drummond inquired what percentage of the mobile homes that receive benefits are rentals. Mr. Nolan stated he would get the information. Chairman Hines stated he would assume the multi-family dwellings are entirely rental, and Mr. Nolan added a number of the mobile homes are as well.

The LIEAP payment is made directly to NWE or MDU. For renters whose rent includes utilities, payment is made directly upon proof that they have paid their rent. LIEAP is a short-term solution to get people through the winter. The weatherization program is the long-term goal for LIEAP, since the only way to make people self-sufficient is to lower energy bills on an ongoing basis. LIEAP's expectation is that every \$1 spent on weatherization should return \$1.80 in energy savings over the life of the measure. This one of the strictest measures in the country.

Chairman Hines asked to what degree flexibility is available in the short term to ramp up weatherization programs to meet the upcoming heating season. Mr. Nolan responded flexibility is great. HRDC's are allowed to hire or layoff people as contracts increase or decrease, and HRDCs are very good at ramping up when funds are available and shutting down when funds are

not available. Montana State University (MSU) conducts all training for the weatherization program. Mr. Nolan was confident they are well equipped for weatherization if funds are increased.

Mr. Uda asked if they have flexibility to shift money into conservation programs. Mr. Nolan responded weatherization is funded by a number of sources, including LIEAP. If money is leftover from fuel assistance, it can be moved to weatherization.

Upon question from Mr. Uda, Mr. Nolan explained that people who are eligible for LIEAP are not moving into new homes, but rather are moving in to homes that need weatherization.

Commissioner Rowe stated that mobile homes, while smaller, are older and sometimes have structural issues that are challenging. Mr. Nolan agreed and stated the average cost to weatherize a home is \$3,000, and in some cases, the mobile home is not worth \$3,000. Federal regulations require the money be used to improve the energy efficiency of the structure; therefore, they cannot replace walls or plumbing. Mr. Nolan stated one of his greater disappointments in state government is that there is a number of housing programs in state government that receive grants from the federal government, and he has been unable to access those federal funds to any great extent. This is something Mr. Nolan feels should be focused on and would like to see more of those funds targeted for low-income housing and, in particular, to mobile homes. Mr. Nolan suggested the Task Force could be useful in helping to see that happen.

Mr. Alke wondered if the criteria for qualification is different if utilities are included in the rent. Mr. Nolan stated the criteria is the same, but the landlord has to agree to the work being done and that he will not raise the rent because of the improvements. By in large, cooperation of landlords across the state is good.

Mr. Nolan submitted a written outline of the need for low energy programs (Exhibit 5). This outline indicated LIEAP paid approximately 69 percent of total heat costs for the households it served. The remaining costs had to be picked up somewhere else. At the projected costs for the upcoming heating season, if LIEAP serves the same number as households as last year, LIEAP will only be able to cover approximately 46 percent of these heating costs. Mr. Nolan cautioned they are anticipating LIEAP's caseload will take a significant jump, estimating there are approximately 85,000 households that are at 150 percent or below of poverty, and 41,000 of those households are served by NWE. If they all apply for assistance, LIEAP would only be able to serve about 10 percent of the total cost.

(Tape 2; Side A)

Kane Quenemuen, also from DPHHS, explained further it is the difference between \$888 annually and \$566 annually for NWE customers.

Mr. Nolan stated that while it is good to keep assistance at the same level as last year, the Task Force should keep in mind that we are not doing a good job of meeting the needs of those individuals at the upper end of 150 percent of poverty. Programs are structured so individuals at the very bottom end receive a lot of help, but as you go up, individuals get less help.

Mr. Alke inquired what the percent increase would be in NWE's rates from last year until this year. Mr. Haley Beaudry remembered Mr. Bushnell's figures indicating the increase would be 50 percent at peak. Mr. Bushnell stated he would need to review the numbers. Commissioner Rowe indicated 50 percent is close, but at any rate, the increase will be substantial. Mr. Alke was curious as to what the point-in-time gas costs were in making this calculation and whether they included the monthly tracker now being used by NWE. Mr. Bushnell replied in NWE's calculations, he included the tracker not yet been approved by the Commission, which was the September tracker, and shows a decline in gas prices. Mr. Bushnell's analysis assumes that tracker will stay constant throughout the winter, and he is hopeful the national gas market will continue to soften and allow NWE and MDU to file trackers which actually decrease. If the market is changing, it will catch up, but it does take time since it is based on a 12-month period.

Mr. Nolan continued explaining that LIEAP could potentially have an estimated \$71,620,996 shortfall in meeting the needs of LIEAP eligible households. The goal of the weatherization program is to get low-income households' energy burden to less than 4.1 percent of their household income. Weatherization is funded from a number of sources, including USB funds from NWE and MDU, in addition to federal funds. One of the problems with weatherization is that it is based on income of the occupants. If a low-income family moves three times, each of those homes could be eligible for the weatherization program.

Mr. Alke asked if the federal poverty guidelines are regional or national. Mr. Nolan stated the contiguous 48 states are together and then Alaska and Hawaii have separate guidelines.

Mr. Uda inquired whether the demand for LIEAP funds stays relatively constant to the number of eligible households. Mr. Nolan replied the number fluctuates. Three years ago, LIEAP had an all time low number of households in the program, but this number has steadily grown since that time. Mr. Nolan described the current situation as "The Perfect Storm." He believed in November and December when people open their power bills, LIEAP may see more than 20,000 households apply for assistance. Mr. Nolan depicted this as a combination of sensitivity to the economy and high energy bills. Mr. Nolan reminded the Task Force that these increased natural gas prices are being experienced nationally, and he is hoping Congress will respond to this alarming increase.

Mr. Beaudry referred to Mr. Groepper's chart which indicates the number tripled in 2000-01, and Mr. Nolan's chart for the same period indicated a 14 percent increase and wondered why there was a difference. Mr. Nolan explained they are for two different programs. Chairman Hines added a better basis for comparison would be the number of people who applied for service.

Mr. Power also asked Mr Nolan to provide figures showing how the number of MDU LIEAP applicants changed from 2000 and 2001 as prices increased.

Commissioner Rowe stated one conclusion on the fuel bill assistance side is even if participation numbers stay relatively low and there are good prices for natural gas, the program will still be several million dollars in the hole just trying to stay in the same place. In addition, significant outreach is not being conducted at this time. These can be difficult choices.

Mr. Nolan agreed stating they are about to enter into an aggressive outreach effort. Congress has placed outreach as a condition of grant money and they want people who need help to understand that it is available. In Montana they have always tried to estimate the amount of money the program will have, how many people will need assistance, and then make it fit.

Mr. Alke posed if "The Perfect Storm" occurred, would they have the ability to redirect funds from weatherization to fuel assistance on short notice.

Mr. Nolan explained they underestimate weatherization to begin with and overestimate LIEAP. Typically, they have money to shift over to weatherization at the end. The amount of money utilized for weatherization is set by state statute, and they cannot fall below that amount.

Chairman Hines questioned whether they were statutorily or rule constrained to serve up to 150 percent of poverty and whether they could put a ceiling at 120 percent. Mr. Nolan replied 110 percent is the floor, and they have chosen to serve the maximum of 150 percent. The one available option is money in the Energy Conservation Account established by the Legislature a number of years ago. Mr. Nolan referred to this account as their "Coal Tax Trust Fund." This fund contains a little over \$1 million, and once they have legislative approval, they could put this money in either weatherization or fuel bill assistance.

- **Gene Leuwer, Rocky Mountain Development Council**

Mr. Gene Leuwer, Executive Director, Rocky Mountain Development Council, serving Lewis and Clark, Jefferson, and Broadwater Counties, explained last year the federal payment was about \$715,000 and Energy Share was \$46,000. Energy Share money has greater flexibility than LIEAP. He feels any additional USB money should be targeted to Energy Share since flexibility is important. Mr. Leuwer explained that 30 to 35 percent of the LIEAP caseload is elderly. Mr.

Leuwer explained they have been unsuccessful in reaching out to seniors because senior citizens do not like to apply for assistance. Mr. Leuwer explained that donations by senior citizens to Meals on Wheels has dropped, and he has been told this decrease in donations is due to increases in utilities and prescription drug costs. Mr. Leuwer predicted they will be out of Energy Share funds by Christmas, and they are anticipating a greater number of applications for more money, earlier. In the three counties served by RMDC, they take about 1,700 applications for weatherization. Each year his agency has the resources to do about 100 homes. It is Mr. Leuwer's experience that people will buy a \$500 to \$750 trailer house and then call his office for weatherization. His agency will then spend \$3,500 to put in a new furnace, water heater, and wire the home so it is safe. Under the State's priority system and energy usage, these cheap trailers go to the top of the eligibility system. Mr. Leuwer questions whether this is a wise use of money, but acknowledged many people do not have any other options.

Mr. Power asked if low-income discount numbers were available. Mr. Leuwer did not have the exact numbers, but stated individuals eligible for LIEAP on the NWE system get a 15 percent billing discount. Chairman Hines thought the number from NWE was approximately \$1.6 million. Mr. Glen Phelps, representing Northwestern Energy, explained that bill assistance for electricity in 2002 was approximately \$927,000, including \$40,000 in write-offs for LIEAP-eligible customers. Mr. Phelps suggested for gas the figure was approximately \$600,000. In 2003, the discount will be slightly over \$1 million for electricity and \$800,000 for gas. Mr. Phelps agreed to provide copies of the report containing these figures to the Task Force.

Commissioner Rowe asked Mr. Leuwer to address quality control and the energy audit model. Mr. Leuwer explained their weatherization programs run until December, and they lay off their staff when funds are expended. Staff are added or laid off depending on workload and money available. Mr. Leuwer feels Montana has plenty of individuals available who possess the necessary skills to complete weatherization services.

Upon question from Mr. Alke, Mr. Leuwer explained they had 1,700 applications for LIEAP and the state selects 100 individuals from that list for weatherization. Mr. Leuwer stated there are probably another 1,000 on the list that they could identify by address and income that are eligible for weatherization. The average expenditure for a mobile home is \$3,500, and the average expenditure is approximately \$3,000 per unit. Seventy percent of the houses they weatherize are mobile homes.

(Tape 2; Side B)

Chairman Hines asked for Task Force discussion on the issue they are attempting to address and to define the problem. Mr. Uda stated the problem needed to be defined as whether the problem is short-term or long-term.

Mr. Power assumed that given the Governor's time frame, the Task Force needs to deal with the short-term version of the problem, and they need to get something in place to deal with increased energy bills this winter. Mr. Power felt addressing the short-term problem first could give the Task Force breathing room to think about long-term solutions. Mr. Uda agreed.

Commissioner Rowe asked whether the Task Force should be primarily concerned about electricity, gas, or total shelter costs and felt the sense of urgency is most acute with gas. The second question are they simply trying to reach hold harmless, so people are no worse off this year than they were last year. Commissioner Rowe felt the right goal would be that the energy bill for a low-income household be the same as a non-low-income household. Commissioner Rowe felt working on immediate deliverables is very important. Commissioner Rowe emphasized the need to pay attention to rate design strategies. He agreed flexibility is important in moving between weatherization, crisis situations, and rate design.

Mr. Alke thought the first thing the Task Force should decide is whether they need to address short- or long-term problems. The second question should then be is the problem electric or gas. The third question then is whether the problem is NWE specific or is it a generic problem.

Chairman Hines relayed the Governor's request for recommendations from the Task Force is to address the upcoming heating season and her concerns that consumers will be unable to meet their utility payment obligations. Chairman Hines felt there are issues the Task Force can address that help not only in the short-term, but will also move them into longer-term solutions as well. Chairman Hines suggested rate discounts could be utilized and targeted efficiency for low-income consumers, both now and in the future, would be beneficial. In addition, all consumers that purchase gas are going to feel significant price increases this year.

Mr. Alke opined that if, for example, the problem is determined to be a gas problem, MDU customers have weathered price spikes in the past. He wondered what makes this season different than past seasons that saw sharp increases. He suspected it is because NWE is a larger utility and is on our minds for a number of reasons.

Commissioner Rowe agreed the past problem experienced by MDU customers did not receive the attention it deserved and stated there were a number of people who were very concerned.

Mr. Alke wondered how the state could realistically deal with a nationally priced commodity. Mr. Power felt the monthly tracker will avoid some of the sticker shock. Mr. Power felt focusing on assisting people who are taking advantage of the low-income programs will be

most effective since the infrastructure is already in place. Also, Mr. Power suggested investigating helping the lowest of the low-income households and supplementing existing programs to take off the edge.

Mr. Uda added if anything is to be done this heating season, the Task Force must focus short term. Mr. Uda felt there were too many diverse opinions to accomplish much else and be effective this heating season.

Mr. Alke agreed, but added weatherization is critical to the short-term problem. Mr. Alke thought perhaps the Task Force should limit its focus to basic bill assistance.

Chairman Hines stated there are structural issues which could be addressed in the long term, but because of the small amount of time available to the Task Force before the upcoming heating season, they cannot be addressed. Weatherization could have short-term effects, but also addresses the problem in the long-term.

Mr. Uda replied his concern is that the Task Force be effective and use its time wisely.

Mr. Drummond questioned why the Task Force would limit itself to bill assistance and not talk about ramping up other programs.

Mr. Alke responded this is a short-term crisis and the impacts need to be dealt with immediately. Mr. Alke suggested the focus should be almost exclusively on bill assistance. Mr. Uda stated people will need to choose how to spend their money, and they will need help to get over the hump.

Mr. Power had concerns about pursuing one avenue to the exclusion of others. He felt there is good logic and wisdom in using a significant part of the funds in a way that provides permanent support to low-income households, i.e. weatherization. Mr. Power remembered conservation programs in the past having been damaged by turning funds on and off and urged the Task Force to not trying solving the short-term aspect of the problem by cannibalizing other programs.

Mr. Beaudry suggested viewing the problem as a cash-flow management problem in a company and stated they may not be able to do as much as they have in the past. Mr. Beaudry also thought the Task Force might look at some other programs, such as alternative power, for funding.

Mr. Uda thought extra liquidity may be needed to deal with the short-term problem and get over the hump and stated he was not suggesting there should be less of a commitment to

conservation programs.

Mr. Alke's sense was the Task Force needed to look for ways to cushion the impact of what will happen this heating season. He feels the focus should be narrowed to maximize bill assistance since that is the greatest single benefit to the public.

Mr. Power replied that one problem will always trump another and felt the focus should be on to what extent the dollars available can be increased to deal with bill impacts this winter. Mr. Power suggested exploring all sorts of alternatives before programs are cannibalized.

Chairman Hines summarized there are two paths: One is assuming a zero sum gain and that there are no additional funds available so how is the pot of money going to be reallocated. The second path is to see what alternative funds would be, could be, or maybe available and then structure a solution based upon the availability of those funds.

Commissioner Rowe agreed that this is, hopefully, a one-time problem, but disagreed that gas price volatility is a one-time problem and felt it is the nature of the gas market. Commissioner Rowe stated it would be foolish to focus exclusively on strategies to meet this winter's situation without recognizing that the situation is very likely to reoccur. As to whether the focus should be on weatherization or fuel bill assistance, Commissioner Rowe agreed that it is a multifaceted problem and noted weatherization has a very high payback.

In looking at development of recommendations, Chairman Hines suggested looking at funding for both the short- and long-term.

Mr. Uda reiterated that because of the limited amount of time, they need to focus on the short-term issue and agreed they need to identify sources of funding.

Mr. Power stated by "short-term" he meant not only what the Task Force does about bills this heating season, but also programs that could be put in place quickly. This means the Task Force will have to focus on programs and infrastructure that is already in place rather than attempting to design entirely new infrastructure and programs.

Chairman Hines asked the Task Force to come up with potential funding sources for both long- and short-term solutions.

Mr. Chuck Swysgood reminded the Task Force that there are certain things the Governor can do and certain things she cannot do. One of Governor Martz's major concerns has always been what was going to happen this winter as far as energy costs, and how low-income households can deal with it. Mr. Swysgood feels any recommendations made to the Governor

should be within the framework of what she can do with what she has available. Some recommendations made also require legislative action. As far as available resources, there are only two sources of revenue available. Either money is diverted from the current USB source of funding from other programs currently in place to the low-income side, or some of the federal money that came in can be used for low-income households. Mr. Swysgood had no idea how much money is needed and felt the figures need to be analyzed so a recommendation can be made to the Governor. Mr. Swysgood felt this is a national problem that cannot be rectified by the Task Force.

Chairman Hines asked if funds could be made available by the Legislature for this heating season. Mr. Swysgood opined the Legislature would not need to meet to provide additional assistance to programs already in existence and could be handled through the budget amendment process. Mr. Swysgood was referring specifically to federal funds.

Mr. Power inquired of Commissioner Rowe whether the legislation that set up the USB constrained the Commission, so any low-income discount would have to be funded through the USB, or whether the Commission on its own authority could approve rate design that included a low-income discount that went beyond USB. Mr. Power thought rate design could be one possible source of additional funds.

(Tape 3; Side A)

Commissioner Rowe replied that potentially Mr. Power was correct, and NWE has used the low-income discount program as part of a charge to the USB, and it has been approved and supported. Commissioner Rowe was unaware of any reason it could not be re-examined.

Mr. Alke pointed out that rate design is making some customers pay more so other customers can pay less. In a contested case proceeding, it could take up to a year to conduct such a proceeding in accordance with due process requirements. Therefore, Mr. Alke did not feel this is a practical solution for the upcoming heating season. Commissioner Rowe thought the period could be shortened and the cost recovered from somewhere. Mr. Uda thought the only way this could be accomplished is if there was concurrence from the utility, as well as any potential intervenors. Commissioner Rowe thought the key would be that no one would file in opposition.

Commissioner Rowe submitted a tentative agenda and registration form for the Montana Natural Gas Summit to be held on September 17, 2003 (Exhibit 6).

The Task Force adjourned for lunch at 12:15 p.m. and reconvened at 1:20 p.m.

A letter was distributed to the Task Force members from Senator Jon Tester, Senate Democratic Leader, and Representative Dave Wanzonried, House Democratic Leader (Exhibit 7).

Public Testimony

Chairman Hines opened the meeting for public comment and asked each person testifying to make themselves available for questions.

Mary Caferro, representing the Coalition of Low Income Consumer and Conservation Advocates, representing the needs and interests of hundreds of thousands of Montanans brought together by a common concern for Montana's energy predicament. Ms. Caferro submitted written testimony and a list of Coalition members (Exhibit 8) and thanked the Task Force for allowing public testimony. Ms. Caferro stated that since 66 percent of the households that receive LIEAP are headed by women, she encouraged the Task Force to recruit at least one female to sit on the Task Force. Ms. Caferro commented families would be in a better position to cope with increased energy rates if their safety net programs had not been cut so severely in the past two years. In addition, Ms. Caferro added the increased energy rates is not simply a low-income issue, but reaches all Montana.

Mr. Drummond was curious about the federal dollars available to Montana and whether Ms. Caferro was suggesting that money be used. Ms. Caferro clarified those funds should be used as a last resort since that money is to be used to restore cuts to human services. Ms. Caferro felt there are better options available.

Mr. Uda restated Ms. Caferro's position as not wanting any money from any other USB program to be used for low-income assistance. Ms. Caferro agreed it would not be wise to rob Peter to pay Paul, but deferred the question to Ms. Jackie Boyle, representing the American Association of Retired Persons (AARP), who stated the goals of weatherization and bill assistance are the same. Therefore, it does not make sense to take money from weatherization and place it in bill assistance. Ms. Boyle felt money may be available from other sources such as large customers. AARP feels there does not appear to be a USB money shortage, but rather a shortage in monitoring the system to ensure the money is going in the right areas. NWE large customers contribute \$2.4 million, and all but \$50,000 is self-directed by these large customers. Ms. Boyle feels this should be more closely monitored. Also, uncollectible bills should not be included in the USB credit. AARP does support long-range solutions rather than just short-term. MDU is good at providing short-term bill assistance, but has not put money into their conservation renewables. Lowering usage helps as much as giving a discount on a bill. Ms. Boyle feels the money is available in the current system.

Mr. Uda felt if the Task Force attempted to tell industrial customers where they should spend their USB contributions or tell a utility that it needs to adopt conservation renewable programs, it would meet with resistance. Ms. Boyle agreed stating AARP knows that resistance very well. Mr. Uda then asked if it was Ms. Boyle's recommendation they do nothing to help low-income customers in the short term or if she had priorities in mind. Ms. Boyle responded that in her mind, the priority should be to petition for more LIEAP assistance funds. Ms. Boyle stated you can get more money, but if more people are not signed up, the money will not be effective. Therefore, Ms. Boyle's feels outreach is a priority. This will, of course, drain the resources this year, so the additional funds will be needed. Ms. Boyle understands that LIEAP is funded based on the previous year's sign ups. A big crunch this year would result in a benefit next year.

In testifying on behalf of AARP, Ms. Boyle stated they are attempting to do an outreach for LIEAP this year. AARP consists of 138,000 Montanans, half of which are retired, half of which are not. From the 2000 census, there are 17,500 Montanans 55 and older who have an income under \$10,000. Therefore, she believed there are a lot of AARP members who should be signed up for the program. From research and contacts, they have found a lot of barriers exist. Low-income stigma for a senior citizen is a barrier. Difficulty in filling out LIEAP forms can also be a barrier. Privacy issues also come into play and create barriers. USB and LIEAP are not the same thing, although AARP members feel it is. NWE requires applicants to sign up for LIEAP before being considered for the bill discount program. Ms. Boyle feels access to USB dollars could be made easier. Discontinuing bill write-offs would also free up money. Ms. Boyle stated this is a much bigger picture with a lot more options than simply choosing between low-income bill assistance or conservation renewables. In closing, Ms. Boyle testified some states use a sliding scale for bill discounts by using the percentage of a person's utility bill is of their income. For low income, that percentage is between 9 and 14 percent. The medium for non-low-income is approximately 3 percent. Currently, that percentage is as high as 37 percent in Montana. Ms. Boyle reiterated this is not simply a low-income issue.

Commissioner Rowe asked if AARP would support the sliding scale as opposed to a flat percentage. Ms. Boyle agreed as long as the sliding scale would be based on the percentage a person's utility bill is of their total income. Commissioner Rowe asked Ms. Boyle to provide him with the national document.

Commissioner Rowe then stated CFAC's contribution out of its USB is close to 17 percent and asked if AARP would support that type of effort and encourage other industrial participants to do something similar. Ms. Boyle responded absolutely, stating that is the kind of effort she would like to see from industry.

Chairman Hines stated the statute has in place the .9 per kilowatt and also the cap, but wondered if the self-directed portion was in statute or rule for large industrials. Mr. Uda and Mr.

Alke agreed it was provided for by statute, so getting anything changed before this heating season would be difficult.

Debbie Smith, representing the Natural Resources Defense Council and the Renewable Northwest Project and a member of the Executive Board of the Northwest Energy Coalition, stated that all three of these organizations are signatories on the consensus statement distributed by Ms. Caferro. Ms. Smith commended the Task Force and Governor for addressing this staggering problem. One of the most phenomenal things Ms. Smith heard suggested is that the Task Force may consider setting aside weatherization money so more money could go to bill assistance. If the Task Force limits itself to changes that do not require statutory changes, then the Task Force should set getting more money and expanding the pool of resources as its first recommendation. With respect to NWE, the Commission has rate-making authority and could order additional bill assistance be given from other rate payers. In terms of moving around pieces of the pie, NWE pays approximately \$8 million into the USB and almost \$2 million of that goes to low-income programs, and approximately \$1 million goes to renewable programs. Renewable programs pay for 27 schools and 6 fire stations in Montana to have solar roofs. There are 21 small wind demonstration projects located on farms and ranches in Montana, and there are 45 solar roofs on residences as part of the federal solar roofs program. There is not just one problem to address, but many problems. What the low-income citizens need is for the price of the portfolio of supply power to be lower. Cost-effective conservation will make that price lower. Taking money away from these programs will hurt low-income households the most. Ms. Smith agreed the Task Force makeup is not broad enough and closed by saying the biggest place USB monies are unaccountable is in the large industrial self-directed pot. The other easy target would be to declare debt service on prior programs as a current program. Ms. Smith closed by saying the money should not come from conservation renewables.

Jim Martin, representing the Missoula Human Resource Development Council, commended the Governor for appointing the Task Force. People who have been fighting fires all season will be laid off for the winter and while this will be a hardship, the majority of people in LIEAP are working. In the last portfolio case, HRDCs intervened seeking to require NWE pursue all cost-effective conservation programs. NWE has been ordered to pursue conservation goals, and Mr. Martin would like the Commission to investigate that order and require NWE to transfer cost-effective conservation programs to the portfolio side to free up USB. That money could then be used for the short-term. Mr. Martin agreed with others who testified that the Task Force should not just look at short-term solutions.

(Tape 3; Side B)

Mr. Archie Nunn, President of the Montana Senior Citizen's Association, spoke about how inflation in general has affected the Association's members and how some people tend to fall

through the cracks. Many senior citizens do not have any discretionary income, but still do not qualify for LIEAP. Mr. Nunn also stated he wished there were more people who are affected by high-energy costs on the Task Force.

John Fitzpatrick

Mr. John Fitzpatrick, Director of Community Relations and Corporate Communications for NWE, presented a summary of the 2003 USB Budget Allocations by Category and Program (Exhibit 9). Exhibit 9 gave allocations for Conservation, Market Transformation, Renewables, Research and Development, Low-Income, Irrigation, and Large Customers. Money shown under Program Budgets for Conservation is money already contracted for in 2003. Mr. Fitzpatrick noted there are a large number of commitments made in each area, and there are unassigned funds in Conservation, Market Transformation, Renewables, and Research and Development. The key is to look at the Summary of Unassigned Funds which indicates there is \$1,725,000 which are not assigned that could be used for any particular aspect of the USB program such as low-income bill assistance or weatherization. Mr. Fitzpatrick stated while \$1.7 million will go a long way in mitigating the impact of higher prices, NWE feels LIEAP will need \$1.6 million just to meet its current needs. This does not factor in any potential growth for the program this heating season. Mr. Fitzpatrick commented that the projections presented by Mr. Nolan are reasonable. NWE has some flexibility under the law and the order from the PSC establishing allocations for the USB program to move money from one program to another. Mr. Fitzpatrick would like input from the Task Force as to where they would like to see the money go. Without any guidance, NWE will not be making any dramatic shifts in the overall program and suggested the situation is not as bleak as originally thought because of the availability of this allocated money, which could be used in the short term. On the practical side, weatherization has a limited amount of appeal because we are at the end of the construction season. While more money for weatherization is needed, on a practical basis, there is only about two months left to do weatherization projects.

Chairman Hines asked if an issue exists between moving electric-generated USB money onto the gas side. Mr. Fitzpatrick did not believe that was the case, and the money should be able to be moved to where ever it is needed irrespective of whether it is gas or electric USB money. Chairman Hines inquired if the Task Force decided to make a recommendation for reallocation, whether that recommendation should be directed to NWE or to the PSC. Commissioner Rowe suggested filing the recommendation both with NWE and the PSC. Mr. Fitzpatrick believed NWE has the ability to reprogram money with notice given to the PSC.

Mr. Fitzpatrick stated the Irrigation Program is technically gone with the repeal of HB 474. This money is being carried over and spent from previous collections. Regarding large customers, Mr. Fitzpatrick stated this is where most of the conservation is going to take place. Energy conservation by large industrial customers can have a dramatic effect. It would take a

tremendous amount of households to have the same conservation impact as one large industrial customer.

Commissioner Rowe stated the \$800,000 of unassigned funds under Conservation could potentially weatherize 300 or more homes and asked if there was a reason not to use this money to weatherize homes this year. Mr. Fitzpatrick answered NWE had no objection to the weatherization program stating it is a good program that in the long-term pays benefits to society. NWE has a pot of money that can be applied to these programs and is asking direction from the Task Force.

Commissioner Rowe agreed there is a tremendous amount of efficiency to be gained from large industrial customers, but noted the figures would not include CFAC because it is not a NWE customer. Mr. Fitzpatrick agreed. Commissioner Rowe asked if NWE would have difficulty explaining to industrial customers that they have an opportunity to contribute to these programs. Mr. Fitzpatrick stated that already happens on a regular basis, and companies are reminded when they build up a balance that they need to use the money or the money will be reprogrammed.

Mr. Alke asked Mr. Fitzpatrick to explain NWE's process for determining NWE's administrative costs charged to the various programs. Mr. Alke directed attention to the \$124,000 in administrative costs under Conservation, but noted there is \$77,000 under Market Transformation even though that program is only one-third the size of Conservation. Mr. Phelps replied administrative costs for most programs are dependent on the number of NWE employees working on the activities. Conservation requires a fair amount of manpower, so the budget is more heavily weighted with NWE employee expenses. Conservation work is not contracted with HRDCs; however, weatherization is contracted to the HRDCs. Mr. Alke was curious about the administrative expense of \$16,000 under large customers given that large customers are self-directed. Mr. Phelps explained the utility incurs expenses related to USB programs because there are two individuals who work with large customers on a full-time basis.

Mr. Swysgood inquired whether the 2003 budget allocation was for the 2003 calendar year only. Mr. Fitzpatrick replied that was correct. Mr. Swysgood wanted to know if the carryover funds in the 2003 Irrigation program, which was no longer in effect, would become available as an unassigned amount in the next calendar year. Mr. Phelps replied that money has been allocated for use in 2003, but if there were money leftover, it could be carried over. Mr. Swysgood asked if the money that would have been used by this program has been reallocated. Mr. Phelps stated it had been redistributed on a pro rata basis to the other activities.

Mr. Alke was under the impression unspent funds were required by statute to be turned over to the State. Mr. Phelps stated in Conservation there was \$60,000 carried over from 2001. This amount represents a project that was contracted for in 2001 but, for various reasons, the

contractor was unable to complete the project. A letter was written to the Department of Revenue asking for an exception, and that exception was granted. Mr. Phelps explained some of the carryover amounts were from failed projects such as the Blackfeet Wind Project. The Department of Revenue granted NWE permission to hold onto these funds in hopes that another project could be identified. Mr. Alke asked if it was NWE's contention that it does not ever have to revert money to the state. Mr. Phelps replied in the USB report, one of NWE's primary goals is to expend all USB funds. Mr. Alke asked whether he thought unexpended funds have to be reverted on a year-by-year accounting basis. Mr. Phelps replied the statute allows NWE to carryover funds for one year, and then the Department of Revenue issued letters of exception. Some of the funds were contracted for and to turn the money over to the state would necessarily cause NWE to break existing contracts.

In addressing the Blackfeet Wind Project, \$1.5 million did not revert to the state even though the project failed. Mr. Phelps stated that money was not reverted as a result of the USB Advisory Committee's desires and the letter of exception to the Department of Revenue. Mr. Phelps reported there is currently \$3.4 million in carryover funds and pointed out that is the budgeted amount leftover at 2002, and some of the money has been expended. Therefore, the actual carryover amount is lower. Mr. Alke clarified that NWE has almost \$12 million in USB funds available for next year. Mr. Phelps suggested most of the 2002 carryover will be expended by year end either through actual expenditures or contracts. As far as the failed Blackfeet Wind Project is concerned, NWE asked the Department of Revenue for permission to hold onto the money in anticipation of reassigning the money to another project. Mr. Alke asked if NWE goes bankrupt, whether the carryover money NWE is holding would disappear. Mr. Phelps could not answer that question.

Mr. Uda clarified that the electric carryover from 2002, 2001, and 2000 was allocated to other programs and asked specifically where the money was allocated. Mr. Phelps replied about \$2 million was not expended from last year's electric fund and was carried over by contracts. The law reads that if the money is not spent in the year it was collected and is not contracted for expenditure during the year it was collected, then the money reverts to the state. Mr. Uda asked if there was still an intention to carry forward into 2004 some of the money that is reflected in the 2003 summary by funding source. Mr. Uda was attempting to determine what sort of flexibility there is. Mr. Phelps explained it is a timing issue and program implementation issue and a revenue collection issue. NWE never spends down to the penny of its budgets and is typically conservative, so it does not overspend. NWE always carries over funds from one year to the next. Mr. Uda noticed that in looking at the 2003 summary by funding source, not all of it appears accounted for in the Summary of Unassigned Funds. Mr. Phelps stated the difference is that the money is committed to projects. Mr. Power explained the money is committed to a particular project so there is nothing to allocate. Mr. Fitzpatrick explained some of the carryover money has been allocated to be spent in 2003, but there is still a remaining unassigned balance.

The Summary of Unassigned Funds represents money that is available today and can be moved to where the Task Force determines it should be used. Mr. Fitzpatrick warned if NWE does not get direction from the Task Force, it has the option to continue to spend the money in the available programs. The bottom line is NWE would like the Task Force to tell it where it wants to put the funds.

Mr. Swysgood wondered if the unassigned funds are available, and the Task Force makes a recommendation to NWE as to how they would like to see the money allocated, whether there might be additional unassigned funds available in 2004. Mr. Fitzpatrick said they may get to the end of the year and find additional money is available.

(Tape 4; Side A)

If NWE would decide to carryover unexpended funds, they would need to write another letter to DOR asking permission to reprogram the money, as opposed to letting the money revert back to the state.

Mr. Power inquired whether the \$1 million in renewable funds that are unassigned is because of the failed Blackfeet Wind Project. Mr. Fitzpatrick acknowledged it was, and that they would need a letter from DOR to use that money for another project. Mr. Fitzpatrick replied NWE has permission to carry the money forward in anticipation of another wind project. If they decide the money should go into another program such as bill assistance or weatherization, they would ask DOR for permission to use the funds in those areas. Mr. Power asked if NWE is expecting to find a large renewable project in 2004 to spend that money on. Mr. Fitzpatrick thought there was always a possibility someone could bring a proposal forward. Mr. Power asked if it was true that NWE had contracted for 150 megawatts of renewable resources specifically in the form of wind. Mr. Fitzpatrick clarified that two potential vendors have been identified, but NWE has not yet signed a contract. Mr. Fitzpatrick acknowledged NWE is attempting to negotiate the final details of two wind projects. Mr. Power pointed out the cost associated with a renewable resource such as wind is an attractive cost-effective resource, which may explain one of the reasons that money is not spent out of USB. The same resources can be pursued through normal portfolio or supply acquisition.

Chairman Hines stated one of the concerns of Task Force members, and again voiced by public testimony, is that the Task Force not do something that will have a negative impact on existing programs. The carryover money is from failed contracts, so there will not be an impact on existing programs. These funds are made up of unallocated dollars.

Mr. Alke thought if NWE attempted to hang onto the carryover dollars for future projects, there would be a risk those dollars would never materialize because of the possibility of

bankruptcy. Mr. Alke thought these funds would be considered assets and would be consumed to pay creditors. Mr. Alke understood the difference between carryover funds and unassigned funds. He understood the \$1.7 in unassigned funds meant the money is not committed to anything. Mr. Alke thought it would be extraordinarily prudent for the Task Force to request \$1.725 million be reverted to the State of Montana. Mr. Alke believed that money properly belongs to the state under reversion provisions. Mr. Alke believed that money can be maintained and spent for the benefit of the state and if the money is left alone, there is a risk that the state will never see that money.

Mr. Fitzpatrick suggested discussing this matter with Mr. Swysgood and his legal staff because of the possibility this money would be reverted into the state General Fund. Therefore, if the Task Force wants to use the money for low-income bill assistance or weatherization, the funds may not become automatically available.

Chairman Hines stated in the statute itself there is the creation of two separate funds, one for low-income, which is administered by DPHHS, and then another one for conservation and renewables, which is administered by the Department of Environmental Quality (DEQ). Since those funds are already in place, Chairman Hines asked for guidance as to whether this would be part of the General Fund.

Mr. Swysgood recalled DEQ received this fiscal year \$200,000 of state special revenue, and that is their total expending authority. What DPHHS administers would be state special revenue, but it would be for whatever program they administer at the amount given to them by the Legislature. Therefore, they would not have extra state special revenue authority. Mr. Swysgood added state special revenue is watched very closely.

Mr. Alke asked if the 2003 Legislature passed a bill specifying reverted funds must be spent in the territory of the reverting utility. Mr. Fitzpatrick recalled that the law said USB monies collected from utilities are to be spent in their service territory and did not believe that the law contained language specific to reversions. Mr. Fitzpatrick clarified that NWE does not oppose segregating the money and using it for USB-type purposes. Mr. Fitzpatrick cautioned that state law exists with respect to how monies can be budget amended and general fund monies cannot be budget amended. Mr. Fitzpatrick thought the Task Force should do a careful check of the legal process before asking for the funds to be reverted.

Mr. Swysgood agreed that money reverted to the state typically goes into the General Fund unless it is specifically designated by law to go somewhere else. Money in the General Fund cannot be budget amended out for a specific use. The only funds that can be budget amended are additional federal funds that come in that can be used for additional services.

Mr. Alke stated this is not agency money, but rather money held by the utility. Under the tax statutes if the utility does not spend the money, it reverts to the state. Mr. Alke believed a bill was passed in 2003 requiring the money not spent by the utility must be spent in the service territory of the utility. If that is the law, Mr. Alke believed the funds would go into the existing accounts, and the money would be insulated from bankruptcy.

Chairman Hines asked Mr. Fitzpatrick to work with Mr. Swysgood and the Budget Office to determine the viability of this approach.

Commissioner Rowe felt everyone was in agreement that they did not want to see USB funds drug into any bankruptcy action. Commissioner Rowe stated they are unsure about NWE's potential bankruptcy and how to effectively protect USB funds, including the unallocated funds.

Chairman Hines expressed concern that these funds may be protected, but there could be a protracted time frame before the funds could be used. Chairman Hines felt they needed immediate access to funds. Commissioner Rowe added that was the primary point of the PSC's order.

Mr. Swysgood explained that if the money comes back to the state and has to be expended within the area of service of the utility, an agency of state government would have to administer the money and this would require spending authority, which can only be provided by the Legislature. Mr. Swysgood cautioned the Task Force to be careful how it proceeds.

Mr. Power thought the question should be how to quickly allocate the funds to keep them from getting tied up in the bankruptcy. Mr. Fitzpatrick stated NWE would argue the money is protected by the special reconstruction of USB, as well as the order from the PSC. Mr. Fitzpatrick was not terribly concerned a bankruptcy court would utilize this money to pay off vendors. Mr. Fitzpatrick felt the key was for the Task Force to provide direction in a short period of time as to where the money should go.

Rep. Olson asked how the money is currently doled out under the low-income provision of USB. Mr. Fitzpatrick replied it is a combination of things and money is shifted. Currently, the money does not go through a state agency. Rep. Olson asked if the money could be reassigned to the low-income portion. Mr. Fitzpatrick said it could, but they would prefer to have a consensus about what should or should not happen with the various programs. That is what he would like the Task Force to decide. Rep. Olson suggested moving the \$1.7 million to the bill assistance program, leaving the current weatherization program in place.

Mr. Power hoped the Task Force would not vote on anything until all the details are clear regarding what the alternatives are. Mr. Power wanted to know how quickly the PSC could change tariffs, so the low-income discount could be higher.

Chairman Hines suggested the Task Force appoint a subcommittee of the Task Force to look at and define the monetary problem and also to ensure other programs will not be negatively affected. This subcommittee could make suggestions whether to expand weatherization or increase bill discount, and give the Task Force additional discussion points. The subcommittee will consist of John Alke, Chuck Swysgood, Tom Power, Mike Uda. Representatives from the Consumer Council and NWE will also provide assistance to the subcommittee. John Bushnell will also serve on the subcommittee.

Mr. Uda provided clarification to his earlier questions, stating he wanted to see how NWE was treating the funds. Based on NWE's past practice, it felt free to alienate funds that had been previously allocated and not treat them as their own property. Mr. Uda stated this is important in determining how those funds can be used. Based on what he has heard, NWE views the money as being available for other purposes other than prior budgeted purposes.

Energy Efficient Measures for Low-Income Sector and Energy Code Study

- **Tom Eckman, NWPCC**

Mr. Eckman of the Northwest Power Consumer Council in Portland gave a presentation on energy efficiency measures directed toward low-income consumers and Energy Code analysis. Mr. Eckman felt the Energy Code is probably less relevant in light of the fact low-income individuals are not buying new homes. Mr. Eckman stated there are several areas for potential improvements in energy efficiency which can help mitigate rate increases. The first is lighting and converting to more efficient lighting such as compact fluorescent lights, which has a high potential payoff with a low cost. In addition, older model refrigerators are inefficient relative to today's stock. Duct sealing and repair to weatherize mobile homes could be expanded.

With respect to lighting, single-family homes use approximately 2,000 kilowatt hours per year. This is a large electric use, but it has high potential for savings. Use of compact fluorescent lights can reduce that consumption by approximately 60 percent.

The typical residential refrigerator uses 1,600 kilowatt hours per year. New model refrigerators operate on 400 kilowatt hours. There are many 20-year-old refrigerators being used and low-income households have some of the worst. Replacing these old refrigerators has a potentially high payoff.

Mobile homes typically have leaky duct work. Repairing the ducts can be done cost effectively. For electric heated homes, the savings can be \$150 per year, and \$45-\$60 per year on the gas side.

Mr. Eckman stated weatherization on mobile homes is problematic since it can take \$3,000 to weatherize a house that is worth much less. Mr. Eckman stated they are currently considering a replace the trailer program. Older mobiles would be replaced with newer more energy efficient mobile homes. More energy savings can be realized by replacing the mobile than from trying to weatherize an older mobile home. Mr. Eckman believed that some of the money used to pay energy costs can be better utilized to pay a mortgage. Mr. Eckman felt it is a policy decision to pay the cost continually or get people into a better home and pay that cost once.

(Tape 4; Side B)

Chairman Hines stated some of these programs are very cost-effective conservation measures and while they may not be suitable for USB expenditure, they certainly would play a role in portfolio development. Chairman Hines stated the Task Force may want to make a recommendation at some time to have NWE focus on some of these lower-income conservation measures or at least make the company more aware.

Mr. Uda asked about the efficiency standards and the useful depreciated life of mobile homes. Mr. Eckman had data that reflected approximately 80 percent of mobile homes built pre-1976, are still in existence today. Prior to 1976, there were no federal standards, so there are a lot of homes still in existence that have only two- or three-inch sidewalls.

In addressing the Energy Code, Mr. Eckman stated he reviewed Montana's Energy Code to determine if it could be improved. Mr. Eckman recommended a couple of new measures which would be cost-effective for consumers, including energy star windows and an R-21 sidewall. Both of these improvements are very economic and reduce life-cycle costs to consumers. These are the two measures Mr. Eckman thought the Task Force might want to consider recommending.

Chairman Hines stated he participated in the last Code update, and there was a big discrepancy between what was cost effective on the gas side and what was cost effective on the electric side. Chairman Hines wanted to know if there could be a consistent Code now between electricity and gas. Mr. Eckman responded yes, and added foam wall construction is much more expensive, and there are problems adding foam to walls.

Mr. Alke was curious as to what the price of gas would have to be for the Building Code to be neutral. Mr. Eckman explained he used the state gas price in place in 2001, which was .70 per therm.

Chairman Hines expounded by saying it is a tremendous effort to change State Energy Codes and an underlying analyses is needed to justify upgrades in the Codes. Chairman Hines asked if the Task Force has any interest in exploring the economic rationale in upgrading the code.

Mr. Drummond commented this is one of the few long-term things the Task Force could pursue. The Task Force agreed upgrading the Energy Code should be pursued.

Petition for Segregating NWE USBC Funds

- **Bob Nelson, Consumer Counsel**

Mr. Nelson opened by stating they are very concerned considering the financial news regarding NWE and are considering what they can and should do to protect ratepayers' interests in the event things deteriorate. One main issue is protecting USB funds in the event of bankruptcy. Therefore, the Large Customer Group, consisting of Energy Share and the Montana Consumer Counsel, have petitioned the PSC to segregate the USB funds. Mr. Nelson submitted a copy of the petition to the Task Force (Exhibit 10). Key features of the petition are for protection of these funds and that they are public purpose funds and are 100 percent proceeds of a separate charge mandated by the Legislature. USB funds are not the property of NWE, but rather NWE is simply the conduit for collection of the funds. NWE must separately account for the USB funds, and the funds are held in trust for participants in USB programs. Mr. Nelson explained USB funds must be applied for the mandated purposes and no right or liens can be created by NWE, its estate, or creditors. The petition requested the PSC to direct NWE to create a segregated USB fund that is an interest-bearing account, and that they not be commingled with the rest of NWE's funds. Mr. Nelson also submitted a copy of the PSC's proposed order issued on August 22, 2003 (Exhibit 11). This order has a 20-day comment deadline. In its Findings of Fact and Conclusions of Law, the PSC adopted the Large Customer's proposed description of the USB funds and directed NWE to create a segregated interest-bearing account. Mr. Nelson believed this order will protect USB funds in the event of a bankruptcy filing.

Mr. Alke asked if Mr. Nelson filed the petition because he thought the USB funds were at risk. Mr. Nelson agreed that was the case and felt this will reduce that risk. Mr. Alke asked if there was any increased risk to funds that are held for long periods of time. Mr. Nelson stated he does not see an increased risk the longer funds are held, but admitted he is not a bankruptcy expert.

Development of Recommendations

Chairman Hines thought the Task Force should recommend Governor Martz send a letter to Montana's Congressional Delegation requesting additional LIEAP funding and further question whether the actual numbers which determined the level of funding in Montana were accurate. Mr. Beaudry wondered how fast the Task Force could get an answer from the Congressional Delegation. Mr. Drummond asked if it was a question of granting a new appropriation or a question of applying for more money under the existing program. Chairman Hines explained that when applying under the existing appropriation, it would have to be determined if the numbers submitted as qualifying applicants is the right number. Mr. Nolan explained the formula for allocation of LIEAP funds is established in federal law. It is not based on the previous year's caseload. Mr. Nolan stated the House has passed an appropriation bill which contains a slight reduction in LIEAP funds. The Senate, however, has not yet passed the bill, but it has come out of Appropriations Committee with a slight increase. The President's Energy Bill, which has not been acted on, increases the authorization for LIEAP to \$3 billion, which is a \$1 billion increase from last year. Mr. Nolan suggested the more appropriate route may be to ask the Governor to write the Congressional Delegation and ask them to support the President's Energy Bill.

Mr. Power wondered if Congress acted before the increased concern in the fly up in gas prices. Mr. Nolan agreed it was a good question, but could not provide an answer.

Chairman Hines asked Mr. Nolan to put together a draft letter.

Mr. Swysgood suggested the Task Force put forth to the Governor that part of the Task Force's recommendation is that a letter be sent to the Congressional Delegation regarding the Energy Bill.

Chairman Hines recounted another recommendation will be that a subgroup will work on funding and another group will work on further definition of the monetary problem. They will also look at available funding to make sure existing programs will not be impacted. This information will be brought before the next meeting. Commissioner Rowe will set up an electronic list through the PSC to facilitate communication between interested parties.

Future Work Plan and Meeting Dates

Chairman Hines informed the Task Force the Governor also asked for it to address the issues surrounding consumer protection if NWE's financials deteriorated. Since that executive order was issued, that is exactly what has taken place. In that regard Chairman Hines asked the Task Force members if they had specific areas they would like to look at.

Rep. Olson expressed concerns about the delegation of the default supply and agreed to bring information to the next meeting.

Mr. Power expressed concerns about the practical issue of how to assure the revenues that customers pay and tariffs that are intended to cover the costs of the commodity are available to cover the commodity costs. Some NWE staff have expressed concerns as to whether corporate dollars will be available to buy gas stored on the system. At one point, there were suggestions of the state attempting to secure credit for NWE. Many people are concerned about funds being available to secure the necessary supply. Chairman Hines referred to this as "building a financial firewall." Mr. Power suggested the revenues that are going to be generated by a particular activity should be committed to secure the bonds that allow the service to be provided. This will ensure the revenue stream flows first to the provision of a particular service. Mr. Power gets nervous when he hears energy suppliers are wondering about whether financing will be available to assure the supply. As a practical matter, this does not make sense to Mr. Power, given that the revenues are there.

Mr. Beaudry was not convinced the revenues are there. He felt this is the big question. We may come up with the money to help pay low-income energy costs, but there may not be gas or electricity available to heat homes. Mr. Beaudry felt the question is whether the commodity will be there and at what price.

Mr. Uda stated he represents a couple of suppliers, and they are nervous about getting paid as evidenced by their requests for prepayment and short-term credit. Mr. Uda felt this situation is probably going to be exacerbated in the next couple of weeks. Mr. Uda suggested there is a range of options, and that the Task Force should decide if there is a role for the state to play. Without specificity, Mr. Uda thought there is some risk the commodity will not be available.

Chairman Hines wondered if Mr. Uda was suggesting the Task Force review the Governor's Emergency Power under Energy and look to see if it is adequate. Mr. Uda agreed, stating he is open to all suggestions. Mr. Uda is not sure what role the state should play and whether it should ensure the credit, back the credit, or provide emergency funds. Another question may be does the state have a role in replacing NWE's default supplier? If that is the case, does the PSC do it or would another department assume the contracts? Mr. Uda thought there are potential things the state can do at different levels at least on a temporary basis.

Chairman Hines then asked what would be the best overall structure for default supply customers into the future. In defining the proper role of the default supplier, Chairman Hines suggested considering from a policy prospective what the Task Force is trying to achieve and what kind of paradigm you are trying to have as an economic model. Chairman Hines feels this is the crux issue.

Mr. Uda stated he is open to ideas, but it seemed to him that when you have a crippled utility with bad credit that is having problems paying its vendors, in part because of market conditions and in part because of poor credit, it is only natural to think about alternatives.

Mr. Drummond stated he needs more information about the implication of bankruptcy of NWE and its ability to obtain the power supply in the market. Mr. Drummond has heard bankruptcy may actually improve NWE's ability to obtain power in the event of bankruptcy because it creates certainty and wipes out existing debt. Mr. Drummond thought the Task Force's pool of knowledge on this issue should be improved.

Chairman Hines felt he could safely say he has heard many different interpretations since this is new ground that is subject to the federal process and a federal judge and that provides a lot of leeway.

Mr. Alke stated he agrees with Tom Power but is concerned that people actually have different ideas when it sounds like they are talking about the same subject. Mr. Alke expressed a very strong opinion that the state should not underwrite the credit for NWE. Mr. Alke is not convinced NWE would be agreeable to having its funds sequestered. Mr. Alke cautioned people to focus on precisely what it is they are talking about, or the Task Force will not get very far.

Mr. Beaudry stated the Task Force has to do a lot of discussion among itself with all the outside help it can get to work through questions to find answers.

Mr. Alke asked if the Task Force is considering devoting the State Treasury, even on a contingent basis, to backstop NWE's obligations. Mr. Alke thought the Task Force should decide if that is something they are considering and, if it is, it should be discussed. If it is not something the Task Force is considering, then the Task Force should move on.

Rep. Olson reminded the Task Force that part of the reason NWE has this obligation is because it was given to them by the Legislature. Mr. Olson thought the issue of who is going to be the default provider is something to be discussed.

Mr. Power stated he would like the Task Force to focus on default supply and how to assure continuity of supply over the next six months. At the same time, the Task Force could listen to ideas about appropriate long-term solutions. Mr. Power remembered that The Montana Power Company was reluctant to become the default supplier. While NWE was a little more optimistic, NWE sees this as a public service that private business should not be engage in. Mr. Power has no idea who else might want to become the default supplier. Mr. Power simply stated we have a party assigned by the Legislature to do something they do not want to do, and they think they will lose their shirt if they try.

Chairman Hines stated even though the meeting has focused on low-income consumers, there will be consequences throughout all the classes. Chairman Hines stated he will draft an agenda and share it with them members to make sure everyone is comfortable with it before the next meeting.

Mr. Uda suggested having Mr. Mitch Tompkins, an expert in utility bankruptcies, attend the next meeting. Mr. Tompkins helped keep Weststar out of bankruptcy and could let the Task Force know how things could play out through the bankruptcy process. Chairman Hines added the one thing he took away after listening to Mr. Tompkins speak is that no one wins in a bankruptcy.

Mr. Power added NWE and the PSC also have bankruptcy experts. He suggested maybe the three individuals could each make a presentation, which would give the Task Force three different perspectives.

Mr. Alke felt the state has placed the default supplier in a terrible position because even though they must supply power to virtually everyone in the state, they cannot own their own generation facility. Therefore, everyone who sells them electricity, does so knowing that the party who has to buy from them does not have the right to build its own plant to beat their price. Mr. Alke claimed this is an untenable situation to put the default supplier in. Mr. Alke's personal feeling was this portion of the Act should be stricken and this may lower the market supplier's price.

Mr. Power agreed that NWE has no alternatives, so this would change the whole planning approach. Mr. Uda added it also changes incentives. Chairman Hines thought, given the realities and the status of the western market, it would be worthwhile to ask what is in the best interest of small consumers in Montana. Mr. Uda wondered if having more transmission and being part of an RTO would make a significant difference in how the availability of power supply plays into the default supply situation in Montana specifically.

Mr. Swysgood understands the hesitancy of Task Force members to act without more clarification about what can and cannot be done with funds that would revert to the state, but Mr. Swysgood was concerned about the Task Force not acting while it has the chance. Mr. Swysgood reminded the Task Force that when it sat down to discuss the issue, it did not know there was \$1.7 million in unassigned funds that could be used to benefit people who will have difficulties with energy bills. Mr. Swysgood felt if the money comes back to the state and goes into those funds established, it cannot be expended without an appropriation. Mr. Swysgood cannot do anything through a budget amendment. Therefore, Mr. Swysgood stated the whole crux of the bill was to make sure that those monies paid in would be expended back in the areas from which it was collected--nothing more and nothing less. Mr. Swysgood does not want the

Task Force to miss the opportunity to recommend to NWE that these funds be assigned. He stated the \$1.7 is in no more jeopardy from bankruptcy than the funds that are already assigned to these programs, and waiting will result in lost time for weatherization projects. Mr. Swysgood felt the Task Force should direct NWE to distribute the money between bill assistance and weatherization. Mr. Swysgood emphasized this is something the Task Force could do right now with money that is available and felt the Task Force should act.

Mr. Power was supportive of using the money, but had concerns about how the money should be allocated and felt the allocation process would take some thought and discussion. Mr. Power would like to know how quickly the money would be able to be used to reduce bills given the PSC would probably have a change of tariff.

Rep. Olson agreed with Mr. Swysgood and felt the Task Force could go ahead and make the directive for NWE to move the money. At the same time, the subcommittee could meet to discuss details. Rep. Olson thought the Task Force should proceed and get NWE to commit the \$1.7 million to the low-income section of the USB.

Upon question from Chairman Hines, Mr. Power explained that the low-income discount is year round. Mr. Phelps explained most weatherization projects are done by this time of the year and most of the funds have been expended. From NWE's perspective, they have spent about one-half of the contract this year and expect to be fully invoiced for the balance by December 15.

Mr. Alke questioned Mary Caferro if the \$1.7 million was reallocated totally to low-income bill assistance, but on a going forward basis the allocation was between renewables and low income were left the same, whether she would still have the same opposition to redirecting. Ms. Caferro asked Mr. Alke if she should assume there would be other money available. Mr. Alke replied the annual USB money would be available.

Chairman Hines explained there is \$1.7 million in unexpended uncontracted funds in this calendar year. If the Task Force were to allocate that money to bill discount and weatherization for this year, he wondered if Ms. Caferro would be supportive given that the Task Force would not be making a recommendation to change the relative allocations in 2004 or 2005.

Ms. Caferro could not respond without checking with the organizations she represents.

Rep. Olson explained current expenditures for Conservation, Market Transformation, Research and Development, Low Income, Irrigation, and Large Customers would stay in tact. The \$1.7 of unassigned money would be moved down to the low-income share.

Ms. Kathy Hyzy, representing Montana Public Interest Research Group, part of the Coalition, expressed procedural concerns and believed there was a USB Advisory Committee that decides how USB funds are spent. Ms. Hyzy felt the Task Force sidelining the input of those Committee members would be in bad form. Ms. Hyzy found it puzzling that NWE had presented it had full discretion on where the money was spent.

Mr. Phelps explained the USB Advisory Committee is made up of a group of interested stakeholders, including low-income advocates, renewable advocates, conservation interests and representatives from the large customer sector. This Committee is setup to give non-binding advice to the utility. In addition, most of the people who participate on this Committee are regular intervenors in rate cases, and NWE takes their advice seriously. Mr. Phelps added, sometimes they agree to disagree.

Mr. Drummond inquired who decides. Mr. Phelps responded ultimately the Commission decides. Mr. Phelps clarified the Commission does not make a decision on each of the allocations, but rather, the utility ultimately makes those decisions.

Mr. Power added the Commission has given the utility flexibility but has approved a particular allocation and given the utility flexibility within that allocation as conditions change to deviate from a particular percentage allocation. The Committee advises the Utility which then goes to the Commission if there is a recommended change in the allocation. Therefore, the Commission has played a role. Mr. Power stated it is important for other parties to realize this does represent a dramatic reduction in expenditures on conservation and an even more dramatic reduction expenditure on renewables. Mr. Power was not offended by the shift because NWE has been in the process of shifting wind and cost-effective conservation into the portfolio. Therefore, it does not bother him to move this money from UBC to the portfolio because not only does it not represent a reduction in the expenditures in those categories, it is going to represent a significant increase in expenditures in those categories. Mr. Power felt all parties need to be aware that this does represent a fairly significant deviation from the allocation pattern.

Chairman Hines pointed out that in looking at the amount spent this year for renewables, it is substantially more than the \$1.7 million. Therefore, characterizing it as a significant reduction in the program is misleading. Mr. Power responded the amount budgeted this year can be larger only because of carryover funds. That means money did not get spent according to the allocation in previous year. Therefore, if funds keep accumulating and shift somewhere else, it indicates over the years, the agreed to allocation was not followed.

Chairman Hines reminded the Task Force that the primary area of concern of not getting going right away is the decrease in weatherization contracts and the HRDC's need to know if they can ramp up their contractors during the few remaining months before the heating season.

Chairman Hines agreed with Mr. Power and thought it would be a good idea to direct some of the money to go into low-income weatherization over the next two weeks and then revisit the whole reallocation issue on September 12.

Mr. Power asked NWE to make a recommendation at the next meeting as to programs and timing.

Rep. Olson thought the \$1.7 million could be moved to the low-income section, which includes weatherization. Chairman Hines questioned whether they would want to add a more specific recommendation to spend some feasible amount of the money on weatherization. Rep. Olson thought it would be adequate to simply move the funds to low-income.

Mike Uda stated he was not comfortable being prescriptive to the utility as to what they can do with the money. Mr. Beaudry stated the Task Force came together because of the problem they anticipate facing over the winter with low-income people experiencing difficulty in paying their energy bills. Mr. Beaudry felt Mr. Swysgood had an excellent point, and that the Task Force has an opportunity to make a recommendation that will solve the very problem it came together to address.

Mr. Power felt moving the money into low-income might mean two different things. Mr. Power felt it would be proper to move the money into the low-income category and then ask NWE to come forward with a proposal to the subcommittee on how the money should be used. Mr. Power did not feel the USB Committee was aware there was money in the conservation category that was unspent or that there was a over \$1 million in the renewable category that was unspent. Mr. Power felt NWE and the PSC would see some questions raised about why the utility is not spending the money. Mr. Power cautioned this is not free money. While Mr. Power supported the move, he stated there was something about the discovery of pots of money that made him nervous.

Chairman Hines reminded the Task Force that this is a recommendation of the Task Force, and it will still allow for due process in the decision-making process.

IT WAS MOVED, SECONDED, AND CARRIED that the Task Force recommend to the Governor that the \$1.725 million in the NWE USB fund be allocated to the low-income program and having NWE submit more specific recommendations on how those dollars should be spent within the low-income category.

Chairman Hines noted the next meeting is scheduled for September 12, 2003, at 9:00 a.m. Another meeting was scheduled for September 26, 2003, at 9:00 a.m.

There being no further business to come before the Task Force, the meeting was adjourned at 4:38.

APPROVED AS TO FORM AND CONTENT:

By: _____
John Hines, Chairman

TRANSCRIPTION CERTIFICATION

I, Cynthia A. Peterson, residing in Helena, Montana, do hereby certify that the foregoing pages constitute a true and accurate transcription, to the best of my ability, of audio cassette Nos. 1-5 of the August 27, 2003, meeting of the Governor's Consumer Energy Protection Task Force.

A handwritten signature in cursive script, appearing to read "C. Peterson", is written over a horizontal line.

Cynthia A. Peterson, PLS